

'Serial Entrepreneur' Tinkov Seeks Equity for Credit-Card Business

By [The Moscow Times](#)

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Oleg Tinkov **Sergei Karpukhin**

Getting his first credit card in 1992, the year after the Soviet Union fell apart, dazzled Oleg Tinkov.

The 44-year-old beer-to-frozen-foods entrepreneur said it was his dream when he was a student to own one. His bank now supplies cards to nearly 2 million people in Russia, many in far-flung regions neglected by the big banks.

"It's a profitable product for us — it's good for customers, especially in the regions," said Tinkov, speaking at his office in northwest Moscow. "They get the money when they need the money, and they use the money today."

His Tinkoff Credit Systems (TCS), which has Wall Street bank Goldman Sachs and Sweden's Vostok Nafta as backers, is now in talks to potentially secure further private equity funding

to grow.

It could also potentially seek other funding options such as an initial public offering in the future, he said. A source familiar with the firm said that if such a move were to happen, it could potentially be as early as next year.

Such a step would come on the back of a sharp increase in profits and revenues. TCS net income was \$68.4 million in 2011, up 7 1/2 times on the previous year, on revenue up 139 percent at \$332 million, according to a recent internal presentation.

Given the company's growth rate, a valuation of about \$800 million has been contemplated in a recent discussion about selling a minority stake, the source said.

TCS was valued at \$200 million in 2008 when Vostok Nafta bought a stake. It has trebled market share since and now ranks fifth behind Sberbank, Russian Standard, VTB 24 and Orient Express bank, according to the presentation.

Its equity — its assets minus its liabilities — stood at \$117 million at the end of December, up sevenfold since 2008. Tinkov projects he'll have 3 million customers by year-end.

Tinkov, blond and charismatic, argues that Russia has been an underserved market, where credit-card penetration is tiny.

Using direct mail and Internet advertising, Tinkov says he can reach any location in the vast country that has a post office or Internet access — and he has customers as far afield as Kamchatka, Sakhalin island, the North Caucasus and Siberia.

Tinkov said his business model differs from others by employing a team of physicists and mathematicians who determine who to lend to and how much credit to extend.

"We are an analytical powerhouse here," Tinkov said.

Nonperforming loans, where accounts are past 90 days delinquent, stood at about 3.7 percent at the beginning of the year, TCS said.

Tinkov came up with the idea of a direct-mail credit-card business while taking a sabbatical in San Francisco and receiving adverts through the post from Capital One.

"I started to think ... it could be interesting in Russia because Russia has a lot of territories where logistics are bad, there are no airports, no roads, but the postal system is working," he said.

Tinkov returned from San Francisco and bought a bank license in 2006, and then "started mailing. ... The response rate was huge, dramatic."

A year later, battling the financial crisis, Tinkov reached out to Goldman Sachs' private equity unit, which bought a 15 percent stake for \$20 million, valuing TCS at \$130 million. Tinkov sold another 15 percent stake in 2008 to private-equity fund Vostok Nafta, for \$30 million.

"The credit card is the best business — it has always been sexy to me," said Tinkov,

describing the first time he saw a credit card years ago in the hands of an American in a hotel.

Tinkov, friends with British entrepreneur Richard Branson , has built up and sold businesses including a brewing chain and a frozen-foods business.

He sold Darya, a frozen-foods business named after his daughter, to Roman Abramovich in 2001, and sold his brewer Tinkoff to InBev in 2005 for 167 million euros (\$222.67 million).

"I'm a serial entrepreneur, it's my fifth business," said Tinkov, who finds comparisons to Branson flattering. "People say 'How come you are a frozen-foods producer, a beer producer, then, how come a banker?' This always challenges me."

Asked about possible future ideas, Tinkov says that if he were to start another business, it would be "definitely online" and potentially to do with targeted advertising.

Tinkov says Russian entrepreneurs can have an advantage over more conservative Western counterparts and says he's keen to banish a negative image some have about the country.

"Everything I've done is from scratch, ... not all Russians are crooks," he said. "We're ... risk-takers because the environment we used to live in is like that. And we're ... straightforward and more honest."

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